Second Quarter Financial Report 2012-13

For the period ended September 30, 2012

Canada

Farm Credit Canada

Headquartered in Regina, Saskatchewan, Farm Credit Canada (FCC) is a financially self-sustaining federal Crown corporation reporting to Parliament through the Minister of Agriculture and Agri-Food. We serve Canadian agriculture by providing financing and other services to more than 100,000 primary producers, value-added operators, suppliers and processors along the agriculture value chain. Operating out of 100 offices located primarily in rural communities, our more than 1,500 employees are passionate about the business of agriculture. Every year, FCC provides learning events to over 10,000 participants and knowledge publications to more than 100,000 subscribers.

Contact Corporate Communication at communications@fcc-fac.ca for more information.

Second Quarter Financial Report 2012-13
For the period ended September 30, 2012

This report was prepared in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown corporations and should be read in conjunction with disclosures and information contained in FCC's annual report and corporate plan summary.[1]

Financial results

FCC is committed to fiscal prudence and transparency. This document contains the corporation's unaudited financial results for the second quarter, which ended September 30, 2012. The corporation is on track to meet the performance measures for the current fiscal year as outlined in the Corporate Plan Summary for 2012-17.

Loan portfolio

FCC experienced overall growth in loans receivable of $1.7 billion from March 31, 2012, bringing its loan portfolio to $24.9 billion at September 30, 2012. Loan portfolio growth of 7.5% for the six months ended September 30, 2012, is higher than the loan portfolio growth of 6.5% for the first six months of the prior fiscal year.

The rate of loan portfolio growth for the six-month period ended September 30, 2012, increased over the comparable period in 2011-12 due to higher net disbursement levels. Net disbursements for the six months ended September 30, 2012, were $4.3 billion, an increase of $640.0 million, or 17.6%, over the six months ended September 30, 2011. Growth from the increased level of net disbursements was slightly offset by higher principal payments.

Profitability

($ millions)

	Three months ended		Six months ended	
	Sept. 30, 2012	Sept. 30, 2011	**Sept. 30, 2012**	Sept. 30, 2011
Net interest income	**$ 215.3**	$ 200.3	**$ 423.2**	$ 395.2
Provision for credit losses	**(22.0)**	4.0	**(46.2)**	63.0
Insurance and other income	**2.4**	1.4	**6.0**	6.4
Administration expenses	**(76.9)**	(66.9)	**(152.9)**	(135.4)
Fair value adjustment	**2.5**	1.3	**1.5**	(0.9)
Net income	**$ 121.3**	$ 140.1	**$ 231.6**	$ 328.3

In the second quarter of 2012-13, net income was $18.8 million lower than the same quarter in 2011-12. This is mainly due to an increase in the provision for credit losses of $26.0 million and an increase in administration expenses of $10.0 million, partially offset by higher net interest income of $15.0 million.

The provision for credit losses for the six-month period ended September 30, 2012, increased $109.2 million over the prior year. In the first quarter of 2011, there was a substantial improvement in portfolio health that resulted in a decrease in the required allowance for credit losses and a negative provision. This year, the provision is mainly a result of portfolio growth.

[1] These documents are available at www.fcc-fac.ca/About Us/Corporate Profile.

Net interest income for the six-month period ended September 30, 2012, has increased due to increased loan portfolio volume, partially offset by lower margins. The net interest margin for the six-month period ended September 30, 2012, decreased to 3.40% from 3.49% for the comparable period in 2011. The decrease in the net interest margin is mainly due to the low interest rate environment and a decrease in lending margins, which have compressed the net interest rate spread.

The increase in administration expenses year-over-year is mainly attributable to benefits expenses due to pension costs. Additionally, salary expenses grew as a result of an increase in the number of employees required to support growth in the business. Also contributing were higher professional fees and higher marketing and promotion expenses.

Capital management

FCC's debt-to-equity ratio increased slightly from 7.1:1 at March 31, 2012, to 7.2:1 at September 30, 2012, largely due to funding requirements for portfolio growth.

In August 2012 FCC revised its dividend policy and declared a $56.4 million dividend.

Cash flow

Cash and cash equivalents at September 30, 2012, increased to $997.4 million from $563.8 million at September 30, 2011. For the six-month period ended September 30, 2012, cash of $1.5 billion was used in operating activities. Conversely, $1.6 billion and $0.7 million were provided by financing and investing activities, respectively.

Outlook against corporate plan summary

FCC is projected to meet all year-end financial targets as outlined in the Corporate Plan Summary for 2012-17.

Measure	Outlook
Net income	**On track** with Corporate Plan.
Return on equity	**On track** with Corporate Plan.
Efficiency ratio	**On track** with Corporate Plan.
Debt-to-equity ratio	**On track** with Corporate Plan.
Portfolio growth	**On track** with Corporate Plan.

Enterprise risk management

FCC has adopted an enterprise risk management framework to manage risks efficiently, consistently and in a coordinated manner. The corporation is exposed to five main categories of risk: credit, market, operational, strategic and reputation.

FCC's risk assessment process includes risk identification, measurement and aggregation. This is an ongoing process for credit and market risks. All risks are assessed annually during the strategic planning process and constitute the corporation's risk profile. Executive Management Team members are responsible for developing and implementing risk management strategies and action plans to mitigate the corporation's top risks.

The FCC Board of Directors oversees the corporation's risk governance framework, which is supported by policies and committees that guide corporate decision-making.

The overall health of the Canadian agricultural sector is strong from a risk management perspective, but challenges exist in the hog industry. Canadian hog producers have recently been affected by a number of events that have led to significant losses in the industry. Unusually high feed costs as a result of drought in the United States and Eastern Canada, combined with low hog prices brought on by producers being forced to sell sows and replacement gilts, has contributed to losses per hog. The hog industry has traditionally had cyclical ups and downs, but the current situation is more severe, resulting in producers exiting the industry and depopulating their herds.

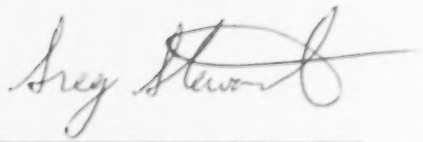
FCC will work to help customers find solutions to sustain cash flow in their operations until 2013, when margins are expected to improve due to stronger seasonal demand and reduced supply.

FCC is not expecting material financial impacts as a result of the situation in the hog industry, due to its diversified portfolio.

Statement of management responsibility

Management is responsible for the preparation and fair presentation of these consolidated quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of consolidated quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information in this quarterly report is consistent, where appropriate, with the consolidated quarterly financial statements.

Based on our knowledge, these unaudited consolidated quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the consolidated quarterly financial statements.



Greg Stewart, P.Ag., C.Dir.
President and Chief Executive Officer

Rick Hoffman, CMA, MBA
Executive Vice-President and Chief Financial Officer

Regina, Canada
November 14, 2012

Condensed Consolidated Financial Statements
Consolidated Balance Sheet

(Unaudited)
(Thousands of Canadian dollars)

	Sept. 30, 2012	March 31, 2012
Assets		
Cash and cash equivalents	$ 997,375	$ 904,217
Temporary investments	54,882	83,813
Accounts receivable	12,170	16,356
Derivative financial assets	73,969	67,898
	1,138,396	1,072,284
Loans receivable – net (Notes 2 and 3)	24,277,950	22,580,309
Finance leases receivable – net	12,441	9,541
Venture capital investments	64,486	53,527
	24,354,877	22,643,377
Equipment and leasehold improvements	24,574	26,655
Computer software	40,338	40,091
Equipment under operating leases	37,361	28,331
Other assets	18,936	18,307
	121,209	113,384
Total assets	$ 25,614,482	$ 23,829,045
Liabilities		
Accounts payable and accrued liabilities	$ 104,769	$ 59,675
Derivative financial liabilities	-	84
	104,769	59,759
Borrowings (Note 4)		
Short-term debt	10,744,951	9,568,666
Long-term debt	11,155,713	10,772,729
	21,900,664	20,341,395
Transition loan liability	91,062	84,108
Retirement benefit liabilities	219,062	224,060
Other liabilities	13,124	11,550
	323,248	319,718
Total liabilities	22,328,681	20,720,872
Equity		
Contributed surplus	547,725	547,725
Retained earnings	2,516,148	2,340,813
Accumulated other comprehensive income	199,180	203,477
Equity attributable to shareholder of parent entity	3,263,053	3,092,015
Non-controlling interest in special purpose entity	22,748	16,158
	3,285,801	3,108,173
Total liabilities and equity	$ 25,614,482	$ 23,829,045

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated Statement of Operations

(Unaudited)
(Thousands of Canadian dollars)

	Three months ended		Six months ended	
	Sept. 30, 2012	Sept. 30, 2011	**Sept. 30, 2012**	Sept. 30, 2011
Interest income	**$ 277,846**	$ 270,306	**$ 550,289**	$ 528,988
Interest expense	**62,572**	70,018	**127,122**	133,762
Net interest income	**215,274**	200,288	**423,167**	395,226
Provision for credit losses	**22,061**	(4,042)	**46,246**	(62,994)
Net interest income after provision for credit losses	**193,213**	204,330	**376,921**	458,220
Net insurance income	**2,217**	2,303	**5,525**	5,206
Other income	**203**	(903)	**475**	1,155
Net interest income and non-interest income	**195,633**	205,730	**382,921**	464,581
Administration expenses				
Salary expense	**33,525**	31,269	**67,446**	63,608
Benefits expense	**13,459**	9,735	**27,409**	20,036
Professional fees expense	**9,496**	7,300	**17,981**	14,344
Facilities, software and equipment expense	**6,411**	5,847	**12,482**	11,598
Amortization and depreciation expense	**5,959**	6,022	**11,004**	12,192
Travel and training expense	**2,856**	3,088	**6,140**	6,452
Marketing and promotion expense	**2,157**	1,023	**3,247**	1,973
Other expenses	**3,000**	2,655	**7,186**	5,150
Total administration expenses	**76,863**	66,939	**152,895**	135,353
Net income before fair value adjustment	**118,770**	138,791	**230,026**	329,228
Fair value adjustment	**2,504**	1,306	**1,536**	(939)
Net income	**$ 121,274**	$ 140,097	**$ 231,562**	$ 328,289
Net income (loss) attributable to:				
Shareholder of parent entity	**$ 121,399**	$ 139,694	**$ 231,765**	$ 327,908
Non-controlling interest in special purpose entity	**(125)**	403	**(203)**	381

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Unaudited)
(Thousands of Canadian dollars)

	Three months ended		Six months ended	
	Sept. 30, 2012	Sept. 30, 2011	**Sept. 30, 2012**	Sept. 30, 2011
Net income	**$ 121,274**	$ 140,097	**$ 231,562**	$ 328,289
Other comprehensive income				
Net (losses) gains on derivatives designated as cash flow hedges	**(1,311)**	32,428	**7,005**	46,103
Transfer of net realized gains on derivatives designated as cash flow hedges to net income	**(5,745)**	(2,430)	**(11,405)**	(7,731)
Change in net gains on derivatives designated as cash flow hedges	**(7,056)**	29,998	**(4,400)**	38,372
Net unrealized gains on available-for-sale financial assets	**124**	550	**103**	877
Total other comprehensive (loss) income	**$ (6,932)**	$ 30,548	**$ (4,297)**	$ 39,249
Total comprehensive income	**$ 114,342**	$ 170,645	**$ 227,265**	$ 367,538
Total comprehensive income (loss) attributable to:				
Shareholder of parent entity	**$ 114,467**	$ 170,242	**$ 227,468**	$ 367,157
Non-controlling interest in special purpose entity	**(125)**	403	**(203)**	381

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated Statement of Changes in Equity

(Unaudited)
(Thousands of Canadian dollars)

	Balance July 1, 2012	Net income	Other comprehensive income	Dividend declared	Distributions to non-controlling interest	**Balance Sept. 30, 2012**
Contributed surplus	$ 547,725	$ -	$ -	$ -	$ -	**$ 547,725**
Retained earnings	2,451,179	121,399	-	(56,430)	-	**2,516,148**
Net gains (losses) on derivatives designated as cash flow hedges	206,701	-	(7,056)	-	-	**199,645**
Net unrealized (losses) gains on available-for-sale financial assets	(589)	-	124	-	-	**(465)**
Total accumulated other comprehensive income (loss)	206,112	-	(6,932)	-	-	**199,180**
Total equity attributable to parent	3,205,016	121,399	(6,932)	(56,430)	-	**3,263,053**
Non-controlling interest in special purpose entity	16,114	(125)	-	-	6,759	**22,748**
Total	$ 3,221,130	$ 121,274	$ (6,932)	$ (56,430)	$ 6,759	**$ 3,285,801**

(Unaudited)
(Thousands of Canadian dollars)

	Balance July 1, 2011	Net income	Other comprehensive income	Dividend declared	Distributions to non-controlling interest	Balance Sept. 30, 2011
Contributed surplus	$ 547,725	$ -	$ -	$ -	$ -	$ 547,725
Retained earnings	2,126,680	139,694	-	-	-	2,266,374
Net gains on derivatives designated as cash flow hedges	191,671	-	29,998	-	-	221,669
Net unrealized (losses) gains on available-for-sale financial assets	(1,166)	-	550	-	-	(616)
Total accumulated other comprehensive income	190,505	-	30,548	-	-	221,053
Total equity attributable to parent	2,864,910	139,694	30,548	-	-	3,035,152
Non-controlling interest in special purpose entity	14,061	403	-	-	125	14,589
Total	$ 2,878,971	$ 140,097	$ 30,548	$ -	$ 125	$ 3,049,741

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)

(Unaudited)
(Thousands of Canadian dollars)

	Balance April 1, 2012	Net income	Other comprehensive income	Dividend declared	Distributions to non-controlling interest	**Balance Sept. 30, 2012**
Contributed surplus	$ 547,725	$ -	$ -	$ -	$ -	**$ 547,725**
Retained earnings	2,340,813	231,765	-	(56,430)	-	**2,516,148**
Net gains (losses) on derivatives designated as cash flow hedges	204,045	-	(4,400)	-	-	**199,645**
Net unrealized (losses) gains on available-for-sale financial assets	(568)	-	103	-	-	**(465)**
Total accumulated other comprehensive income (loss)	203,477	-	(4,297)	-	-	**199,180**
Total equity attributable to parent	3,092,015	231,765	(4,297)	(56,430)	-	**3,263,053**
Non-controlling interest in special purpose entity	16,158	(203)	-	-	6,793	**22,748**
Total	$ 3,108,173	$ 231,562	$ (4,297)	$ (56,430)	$ 6,793	**$ 3,285,801**

(Unaudited)
(Thousands of Canadian dollars)

	Balance April 1, 2011	Net income	Other comprehensive income	Dividend declared	Distributions to non-controlling interest	Balance Sept. 30, 2011
Contributed surplus	$ 547,725	$ -	$ -	$ -	$ -	$ 547,725
Retained earnings	1,938,466	327,908	-	-	-	2,266,374
Net gains on derivatives designated as cash flow hedges	183,297	-	38,372	-	-	221,669
Net unrealized (losses) gains on available-for-sale financial assets	(1,493)	-	877	-	-	(616)
Total accumulated other comprehensive income	181,804	-	39,249	-	-	221,053
Total equity attributable to parent	2,667,995	327,908	39,249	-	-	3,035,152
Non-controlling interest in special purpose entity	13,376	381	-	-	832	14,589
Total	$ 2,681,371	$ 328,289	$ 39,249	$ -	$ 832	$ 3,049,741

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated Statement of Cash Flows

(Unaudited)
(Thousands of Canadian dollars)

	Three months ended		Six months ended	
	Sept. 30, 2012	Sept. 30, 2011	**Sept. 30, 2012**	Sept. 30, 2011
Operating activities				
Net income	**$ 121,399**	$ 139,694	**$ 231,765**	$ 327,908
Adjustments to determine net cash (used in) provided by operating activities:				
Net interest income	**(215,274)**	(200,551)	**(423,167)**	(395,496)
Unwind adjustment on impaired loans	**(529)**	(441)	**(269)**	(40)
Provision for credit losses	**22,061**	(4,042)	**46,246**	(62,994)
Fair value adjustment	**(2,504)**	(1,306)	**(1,536)**	939
Depreciation and amortization (1)	**(1,707)**	2,544	**(4,407)**	1,414
Other	**699**	(630)	**(890)**	(576)
Net cash outflow from loans receivable	**(647,635)**	(557,862)	**(1,701,716)**	(1,382,537)
Net cash outflow from finance leases receivable	**(1,457)**	(668)	**(2,670)**	(1,968)
Net change in other operating assets and liabilities	**(11,789)**	(74,743)	**7,987**	(65,992)
Interest received	**221,850**	217,479	**508,583**	490,644
Interest paid	**(57,788)**	(52,287)	**(131,574)**	(124,660)
Cash used in operating activities	**$ (572,674)**	$ (532,813)	**$ (1,471,648)**	$ (1,213,358)
Investing activities				
Net cash (outflow) inflow from temporary investments	**$ 254,308**	$ (241,137)	**$ 28,869**	$ (183,418)
Acquisition of venture capital investments	**(5,333)**	2,038	**(8,240)**	(1,012)
Proceeds on disposal and repayment of venture capital investments	**38**	316	**45**	4,926
Purchase of equipment and leasehold improvements	**(1,547)**	(692)	**(3,159)**	(2,950)
Purchase of computer software	**(3,159)**	(2,079)	**(6,033)**	(4,418)
Purchase of equipment under operating leases	**(5,925)**	(4,002)	**(10,986)**	(8,349)
Disposal of real estate property held for sale	**99**	(5)	**199**	99
Cash (used in) provided by investing activities	**$ 238,481**	$ (245,561)	**$ 695**	$ (195,122)
Financing activities				
Long-term debt issued	**$ 1,291,243**	$ 800,900	**$ 2,896,261**	$ 2,136,518
Long-term debt repaid	**(420,000)**	(469,775)	**(1,541,254)**	(2,132,469)
Short-term debt issued	**8,413,074**	7,758,216	**16,859,881**	16,484,994
Short-term debt repaid	**(8,732,327)**	(7,519,099)	**(16,650,478)**	(15,118,711)
Cash provided by financing activities	**$ 551,990**	$ 570,242	**$ 1,564,410**	$ 1,370,332
Change in cash and cash equivalents	**$ 217,797**	$ (208,132)	**$ 93,457**	$ (38,148)
Cash and cash equivalents, beginning of period	**780,287**	771,855	**904,217**	601,840
Effects of exchange rate changes on the balances of cash held and due in foreign currencies	**(709)**	105	**(299)**	136
Cash and cash equivalents, end of period	**$ 997,375**	$ 563,828	**$ 997,375**	$ 563,828
Cash and cash equivalents are comprised of:				
Cash	**$ 57,007**	$ 84,308	**$ 57,007**	$ 84,308
Short-term investments	**940,368**	479,520	**940,368**	479,520

(1) Includes the depreciation of equipment and leasehold improvements and equipment under operating leases and the amortization of computer software. It also includes the amortization of accumulated other comprehensive income, bond premium or discount, deferred revenue fees and deferred initial direct leasing costs.

The accompanying notes are an integral part of the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Significant accounting policies

Basis of presentation

Condensed consolidated interim financial statements (interim financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 – Interim Financial Reporting.

These interim financial statements do not include all of the information required for complete annual financial statements and should be read in conjunction with the annual, audited financial statements for the year ended March 31, 2012.

The accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the annual, audited financial statements for the year ended March 31, 2012.

Unless otherwise stated, all dollar amounts presented in the Notes to the Condensed Consolidated Financial Statements are in thousands of Canadian dollars, which is the functional currency of the corporation.

Accounting standards issued but not yet effective

The corporation has reviewed the new standards, amendments and interpretations that have been issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC), but are not yet effective, and determined that the following may have an impact on the corporation. Management is assessing the impact of these standards and amendments on the corporation's financial statements and accounting policies.

Standard	Details	Annual periods commencing on or after
IFRS 7 – Financial Instruments: Disclosures	The amended standard was issued together with the amended IAS 32 - Financial Instruments: Presentation to enhance disclosures about the offsetting of financial assets and financial liabilities. No significant changes are anticipated as a result of this standard.	Jan. 1, 2015
IFRS 9 – Financial Instruments	The new standard provides requirements for classifying and measuring financial assets and liabilities. This standard is the first in a three-phase project in progress by the IASB to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety. It is anticipated that this standard will result in a change in classification of the corporation's temporary investments from available for sale to fair value through profit and loss.	Jan. 1, 2015
IFRS 10 – Consolidated Financial Statements	The new standard replaces the consolidation requirements in IAS 27 – Consolidated and Separate Financial Statements and SIC-12 – Consolidation – Special Purpose Entities. It establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. No significant changes are anticipated as a result of this standard.	Jan. 1, 2013
IFRS 12 – Disclosure of Interests in Other Entities	The new standard establishes disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. It is anticipated that this standard will result in increased disclosure on venture capital investments.	Jan. 1, 2013
IFRS 13 – Fair Value Measurement	The new standard establishes new guidance on fair value measurement and disclosure requirements. It is anticipated that this standard will result in increased disclosure on fair value measurement.	Jan. 1, 2013
IAS 19 – Employee Benefits	The standard was amended to improve the recognition, presentation and disclosure of defined benefit plans. The amendments revised the calculation of finance costs that are included in net income. It is anticipated that finance costs will increase, offset by an increase in other comprehensive income.	Jan. 1, 2013
IAS 28 – Investments in Associates and Joint Ventures	The standard was reissued as Investments in Associates and Joint Ventures as a result of the new standards IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities. No significant changes are anticipated as a result of this standard.	Jan. 1, 2013
IAS 32 – Financial Instruments: Presentation	The amended standard was issued together with the amended IFRS 7 – Financial Instruments: Disclosures to clarify the guidance on the offsetting of financial assets and financial liabilities. No significant changes are anticipated as a result of this standard.	Jan. 1, 2014

2. Loans receivable – net

($ thousands)

	Remaining term to maturity				
	Within 1 year	1 - 5 years	Over 5 years	Sept. 30, 2012	March 31, 2012
Floating	$ 1,478,292	$ 13,649,059	$ 692,235	$ 15,819,586	$ 14,810,553
Fixed	1,157,345	5,723,517	1,951,021	8,831,883	8,129,614
Performing loans	2,635,637	19,372,576	2,643,256	24,651,469	22,940,167
Impaired loans				307,574	285,118
Deferred loan fees				(23,817)	(23,026)
Loans receivable – gross				24,935,226	23,202,259
Allowance for credit losses				(657,276)	(621,950)
Loans receivable – net				$ 24,277,950	$ 22,580,309

3. Allowance for credit losses – loans receivable

($ thousands)

	Sept. 30, 2012	March 31, 2012
Individual allowance, beginning of year	$ 140,800	$ 157,734
Provision for credit losses	18,332	13,099
Losses covered under the Hog Industry Loan Loss Reserve Program	(1,762)	2,623
Unwind adjustment on impaired loans	(268)	535
Writeoffs	(11,291)	(36,074)
Recoveries	1,303	2,883
Individual allowance, end of period	$ 147,114	$ 140,800
Collective allowance, beginning of year	$ 481,150	$ 497,644
Provision for credit losses	27,870	(11,378)
Losses covered under the Hog Industry Loan Loss Reserve Program	2,094	(1,682)
Writeoffs	(1,020)	(3,608)
Recoveries	68	174
Collective allowance, end of period	$ 510,162	$ 481,150
Total allowance	$ 657,276	$ 621,950

4. Borrowings

Short-term debt

($ thousands)

	Sept. 30, 2012	March 31, 2012
Government of Canada debt	$ **10,509,972**	$ 9,223,172
Retail and institutional fixed-rate notes	**132,755**	238,994
Promissory notes	**86,812**	94,873
Cash collateral due to derivative counterparties	**9,957**	6,156
Structured notes	**5,455**	5,471
Total	$ **10,744,951**	$ 9,568,666

Long-term debt

($ thousands)

	Sept. 30, 2012	March 31, 2012
Government of Canada debt	$ **10,689,423**	$ 10,205,227
Retail and institutional fixed-rate notes	**466,290**	567,280
Structured notes	**-**	222
Total	$ **11,155,713**	$ 10,772,729

The corporation enters into borrowings with the Government of Canada through the Crown Borrowing Program. Interest accrued and incurred on these borrowings is recorded in borrowings and interest expense, respectively. The Government of Canada interest expense recorded to September 30, 2012, was $110.0 million (September 30, 2011 - $100.1 million).